

Presentation  
To the  
Joint Legislative Oversight Committees  
on  
HHS and Information Technology

January 5, 2012

Sheila Platts  
Division of Medical Assistance

## **Smart Card Update - Identification Card for Medicaid**

**12/13/2011 moved to January 5, 2012 meeting**

### **History of the Project:**

The state of North Carolina is facing an estimated shortfall of \$3.7 billion in fiscal year 2011-12 because of the national economic downturn, the expiration of federal recovery dollars and other factors. All agencies are exploring ways to contain costs and still deliver critical services to citizens. Improving business processes, reducing waste and eliminating fraud can help reduce the cost of delivering vital services.

The “smart card” could be a key tool in enabling the Identification Card for Medicaid. A smart card is a credit card-sized plastic card with an embedded, secure microchip. Unlike an ordinary credit or debit card, which stores data on a magnetic stripe, a smart card can both contain and process information. Smart cards with biometrics include a method of verifying the identity of the user, such as a finger scan or the patterns of the user’s retina or iris. Additionally, there are other biometric methods for confirming identity which include hand/vein recognition and facial recognition.

To encourage the use of smart cards in state government, the N.C. General Assembly in 2010 directed the State Chief Information Officer (SCIO) to coordinate the development of smart card systems across agencies. (Sect. 6.19, S.L. 2010-31.) The legislation also directed that the State CIO report quarterly to the Joint Legislative Oversight Committee on Information Technology.

The General Assembly also directed the Division of Child Development in the Department of Health and Human Services (DHHS) to implement an Electronic Benefits Transfer system for Smart Card child care subsidy, and to determine if coordination of various electronic card systems could lead to cost savings. Because of the overlap in the provisions, the State CIO and DHHS agreed to combine their efforts. The Office of State CIO began working with the Division of Child Development in the Department of Health and Human Services (DHHS) to carry out the General Assembly’s directive. A workgroup was formed that included key stakeholders from several divisions of DHHS.

## **Status of the Project:**

Meetings were held to share information with DMA, Division of Aging and Adult Services (DAAS), Division of Information Resource Management (DIRM), NCFAST and NCTRACKS staff about plastic cards currently in use and the existing Medicaid card pilot. Meetings have also been held with vendors to learn about the technology available for a plastic Medicaid card.

The meetings were as follows:

- 08/09/11 DMA project team met with two representatives from IBM.
  - The reps requested this meeting to gather information about the project and to offer their insight and services.
- 10/10/11 Plastic card project team met with others from DMA, DAAS, DIRM, NCFAST, and NCTRACKS to notify attendees that DMA pursuing change from a paper to a plastic card for all Medicaid recipients. Presentations were given by the Division of Child Support, the Division of Child Development, and the Division of Social Services regarding plastic cards being used by their programs.
- 10/31/11 A representative Secure Exchange Solutions presented an overview and update of the pilot Medicaid card program SES. The project is currently only operating in Gaston County. DMA project team also presented information gathered about plastic Medicaid cards used in several states including South Carolina, New York, Alaska, Georgia, Florida, and Texas.
- 11/14/2011 DMA project team conducted a conference call with a representative from Castlestone LLC. The representative presented information about plastic card technology and the projects his company has implemented.
- 11/16/2011 A demo of plastic card technology was presented by a representative from Cogent 3M for the DMA project team. Cogent 3M has joined up with Giesecke & Devrient to work together on a solution for the plastic card project.
- 11/17/2011 A representatives from Smith Addressing Machine Systems (S.A.M.S.) met with the DMA project team. The representative discussed the projects the company has completed with North Carolina and other customers. Also provided was information on the plastic card technology available and what they recommend to meet our needs.
- 12/12/2011 A follow-up meeting with Cogent 3M and the DMA project team is scheduled. Cogent 3M would like to demonstrate some additional solutions which may possibly meet the needs of DMA.

### **Next Step:**

DMA plans to issue a Request for Proposal in the spring of 2012. It is estimated that the RFP process may take up to 6 months before a vendor is in place. The DMA project team is still in the research and information-gathering stage.

The following vendors made presentations in 2011:

- SES (Secure Exchange Solutions)
  - SES is currently running a smart card pilot in Gaston County.
- MediSmart
- IBG (International Biometric Group)
- Castlestone Advisors, LLC
- Cogent Systems
- Giesecke & Devrient
- Alphanumeric Systems

### **Costs of the Project and Funding Source:**

The Division of Medical Assistance is researching the potential for a plastic Medicaid Smart Card based on priorities and funding availabilities set forth in SL 2011-145. Vendors have projected an estimated cost of \$2.00 to \$5.00 (per card) for a plastic card depending on whether the card contains a magnetic strip or chip. The current number of Medicaid recipients (eligibles) as of December 2011 is 1,686,563. The total projected cost will be \$3.3 million to \$8.4 million.